Manitoba

Annual Report
2001 - 2002

Employee Pensions and Other Costs

Includes 10% post-consumer waste

103-00398/

MINISTER OF FINANCE

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

His Honour
The Honourable Peter M. Liba, C.M.
Lieutenant-Governor of Manitoba

May It Please Your Honour:

I have the privilege of presenting, for the information of Your Honour, the Annual Report covering Employee Pensions and Other Costs for the fiscal year ended March 31, 2002.

Respectfully submitted,

Greg Selinger

Honourable Greg Selinger
Minister of Finance

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Introduction

Report Structure

The Annual Report is organized in accordance with the departmental appropriation structure, which reflects the department's authorized votes approved by the Legislative Assembly. The report includes information at the main and sub-appropriation levels, including program descriptions, financial performance and variances, as well as a five-year historical table detailing departmental expenditures.

Overview

The benefits administration program area of Labour Relations Services, Treasury Board Secretariat, is responsible for providing central administrative services to government-wide employee benefits and insurance programs in accordance with collective agreements, legislation and personnel policies. Negotiated plans include the Ambulance and Hospital Semi-Private (AHSP), Dental, Vision, Prescription Drug and Long Term Disability plans. The branch manages the payment and recovery of workers' compensation from government departments and agencies and compiles financial information for statutory benefit and insurance programs including the Civil Service Superannuation Plan, Canada Pension Plan, Group Life Insurance, Employment Insurance and the Levy for Health and Post-Secondary Education.

There are two benefit categories:

1) Non-Recoverable, including Superannuation, Workers' Compensation (central costs) and other salary related benefits; and

2) Recoverable, including Canada Pension Plan, Employment Insurance, Civil Service Group Life Insurance, Dental, Long Term Disability, Ambulance and Hospital Semi-Private, Vision Care and Prescription Drug Plans, as well as the Levy for Health and Post-Secondary Education. All costs for recoverable benefits incurred by Employee Pensions and Other Costs are recovered from departments based on either actual salaries paid to employees or on the actual benefit premium paid. Within the recoverable category, benefits can also be divided into two classifications: external premium-based and self-insured.

PART I
Employee Pensions and Other Costs

Employee Pensions and Other Costs

A. Non-Recoverable Benefits

Civil Service Superannuation Plan

The Civil Service Superannuation Plan provides funding for the employer's share (50%) of pensions paid to retired civil servants in 2001/02, including the annual cost of living increase.

In addition, the province has provided funding to reduce the accumulated pension liability of the Civil Service Superannuation Plan as well as the Teachers' Retirement Allowances Fund related to existing employees. In 2001/02, $75 million of the $96 million debt retirement payment was allocated to the pension liability. This additional funding was included in the 2001 Budget as a transfer from the Debt Retirement Fund.

Expenditures by Sub-Appropriation	Actual 2001/02 $(000s)	Estimate 2001/02 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1a Civil Service Superannuation Plan	50,777.4	51,843.2	(1,065.8)	1

1. *Actual superannuation costs were below budget due to lower than originally anticipated pension payments for retirements, terminating employees, marital breakdowns, reciprocal transfers and employee deaths.*

Other Salary Related Benefits

Other Salary Related Benefits provide funding for the annual increase in the liabilities for severance, vacation and overtime entitlements for employees who have met the service requirements stated in the collective agreement and are still members of the civil service.

Severance and overtime entitlements were enhanced in the last collective agreement resulting in an increase in the annual liability for these benefits.

Expenditures by Sub-Appropriation	Actual 2001/02 $(000s)	Estimate 2001/02 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1b Other Salary Related Benefits	14,659.5	12,925.0	1,734.5	1

1. *Changes in vacation, overtime and severance liability between March 31, 2002 and March 31, 2001 were higher than anticipated. The actual charges were: $4.3 million for severance, $9.0 million for vacation and $1.4 million for overtime. Of the latter two amounts, $7.4 million was attributed to an understatement of the liability as at March 31, 2001 resulting from an error discovered in the SAP system.*

Workers' Compensation Board

The Workers' Compensation Board (WCB) provides funding for the annual payments to government employees injured at work as assessed by the WCB as well as fees paid to WCB for administration of the compensation plan. The annual payments are recovered from other departments in respect of their employees.

The province is self-insured with respect to workers' compensation payments, although the WCB provides administrative and assessment services.

Expenditures by Sub-Appropriation	Actual 2001/02 $(000s)	Estimate 2001/02 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1c Workers' Compensation Board				
(1) Assessments	2,291.7	4,281.0	(1,989.3)	
(2) Less: Recoveries	(2,284.5)	(4,266.0)	1,981.5	
Total Sub-Appropriation	7.2	15.0	(7.8)	1

1. *2001/02 workers' compensation costs and recoveries were lower than anticipated primarily as a result of the removal of Manitoba Lotteries Corporation and Continuing Care staff from this group administration. These organizations have established their own accounts with the Workers' Compensation Board. Only claims initiated prior to 2000/01, which continued to decline, were paid and recovered through Employee Pensions and Other Costs.*

B. Recoverable Benefits

Canada Pension Plan

This sub-appropriation provides for the employer's matching contribution as required under the Canada Pension Plan Act for all eligible civil servants.

Expenditures by Sub-Appropriation	Actual 2001/02 $(000s)	Estimate 2001/02 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1d Canada Pension Plan	22,179.5	23,068.0	(888.5)	

Employment Insurance Plan

The Employment Insurance (EI) Plan provides for the employer's share of premiums as required under the Employment Insurance Act for all civil servants.

Expenditures by Sub-Appropriation	Actual 2001/02 $(000s)	Estimate 2001/02 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1e Employment Insurance Plan	17,032.1	19,956.0	(2,923.9)	1

1. *Employment Insurance premiums were below budget due to lower than originally anticipated payroll costs and a greater than anticipated impact from the federal EI premium reduction from 2.40% in 2000 to 2.25% in 2001 (on maximum insurable earnings of $39.0). Also, a further reduction in premiums to a level of 2.20% for 2002 was not considered at the time the 2001/02 Estimate was determined as rates are set annually in the fall preceding the next calendar year.*

Civil Service Group Life Insurance

The Civil Service Group Life Insurance plan provides for the government's share (one-third) of payments under The Public Servants Insurance Act which includes basic insurance coverage, as well as group life and accidental death and dismemberment insurance, for all eligible civil servants.

Life insurance is provided to employees at a rate of up to five times their annual salary, to a maximum of $1 million. The employer contribution is 27.5% of the first four multiples only (employee funds 100% of the fifth multiple). The province self-insures accidental death and disablement insurance which is based on the employee's annual salary multiplied by class (1 to 5), as selected under the life insurance plan, up to a specified maximum.

Expenditures by Sub-Appropriation	Actual 2001/02 $(000s)	Estimate 2001/02 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1f Civil Service Group Life Insurance	1,594.8	1,747.0	(152.2)	

Dental Plan

As negotiated under various collective agreements or as provided in the regulations under the Civil Service Act, the Dental Plan provides coverage for basic and major restorative dentistry to all eligible civil servants. The province is self-insured with the plan carrier (Manitoba Blue Cross) being reimbursed for payments made to government employees under the plan as well as an administrative fee.

The plan pays for eligible dental care expenses, to a specified maximum, for both full-time and part-time employees. Effective January 1, 2002, the annual maximum for basic dentistry increased from $1,100.00 to $1,200.00 and the orthodontic lifetime maximum increased from $1,300.00 to $1,400.00 for full-time employees. Coverage for part-time employees is based on 50% of the coverage amounts applicable for full-time employees and up to 50% of the maximum.

Expenditures by Sub-Appropriation	Actual 2001/02 $(000s)	Estimate 2001/02 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1g Dental Plan	5,583.1	5,970.0	(386.9)	

Vision Care

As negotiated under various collective agreements or as provided in the regulations under the Civil Service Act, the Vision Care Plan provides coverage for prescription lenses and eye examinations for eligible civil servants. The province is self-insured with the plan carrier (Manitoba Blue Cross) being reimbursed for payments made to government employees under the plan as well as an administrative fee.

Full-time employees are reimbursed 80% for eligible vision care expenses, to a maximum of $200.00, and part-time employees are reimbursed 40% for eligible expenses, to a maximum of $100.00, every twenty-four month period from the actual purchase date.

Expenditures by Sub-Appropriation	Actual 2001/02 $(000s)	Estimate 2001/02 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1h Vision Care	1,104.6	1,099.5	5.1	

Prescription Drug Plan

As negotiated through collective bargaining agreements or as provided in the regulations under the Civil Service Act, the Prescription Drug Plan provides coverage for eligible drugs or medicines including serums, injectibles, and insulin, which are sold on the written prescription of a medical practitioner and dispensed by a licensed pharmacist for eligible civil servants and their families. The province is self-insured with the plan carrier (Manitoba Blue Cross) being reimbursed for payments made to government employees under the plan as well as an administrative fee. This plan was implemented October 1, 2001.

Full-time employees are reimbursed 80% for eligible expenses, to a maximum of $500.00, and part-time employees are reimbursed 40% for eligible expenses, to a maximum of $250.00, per family per calendar year.

Expenditures by Sub-Appropriation	Actual 2001/02 $(000s)	Estimate 2001/02 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1j Prescription Drug Plan	773.8	1,327.0	(553.2)	1

1. *Costs associated with the new Prescription Drug Plan, introduced October 1, 2001, were lower than anticipated due to less utilization than expected for the start-up of this plan coverage. Actual costs were based on claims submitted by employees on or before March 31, 2002. Claims for prescription drugs can be made for up to two years after the drug purchase date.*

Ambulance and Hospital Semi-Private Plan

As negotiated under various collective agreements or as provided in the regulations under the Civil Service Act, the Supplementary Health Plan provides for an Ambulance and Hospital Semi-Private Plan to all eligible civil servants. Premium payments to the plan carrier (Manitoba Blue Cross) are made, based on the number of eligible employees. The plan is self-insured with both full-time and part-time employees eligible for coverage, although part-time employees are eligible for single coverage only. Part-time employees may elect to increase their coverage to include family members by paying the difference between the family premium and single premium through voluntary payroll deductions.

Expenditures by Sub-Appropriation	Actual 2001/02 $(000s)	Estimate 2001/02 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1k Ambulance and Hospital Semi-Private Plan	256.0	308.7	(52.7)	

Long Term Disability (LTD) Plan

As negotiated under various collective agreements or as provided in the regulations under the Civil Service Act, the LTD Plan provides partial income protection to eligible full-time and part-time employees. The province is self-insured with the plan carrier (Great West Life) being reimbursed for payments made to government employees under the plan as well as administrative fees and expenses.

Expenditures by Sub-Appropriation	Actual 2001/02 $(000s)	Estimate 2001/02 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1m Long Term Disability Plan	3,575.8	4,022.0	(446.2)	

Levy for Health and Post-Secondary Education

This sub-appropriation provides for the province's payment as required by the Health and Post-Secondary Education Tax Levy Act.

Expenditures by Sub-Appropriation	Actual 2001/02 $(000s)	Estimate 2001/02 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1n Levy for Health and Post-Secondary Education	14,606.1	14,429.0	177.1	

C. Recovery from Other Appropriations

This account provides for the recovery of the cost of the various employee benefits plans and related overhead charges from other departments, with the exceptions of Other Salary Related Benefits, which reflect changes in the severance, vacation and overtime liabilities, and the Civil Service Superannuation Plan.

Expenditures by Sub-Appropriation	Actual 2001/02 $(000s)	Estimate 2001/02 $(000s)	Variance Over/ (Under) $(000s)	Expl. No.
06-1p Recoverable from Other Appropriations	(65,605.0)	(71,927.2)	6,322.2	1

1. *Recoveries from other appropriations were down, corresponding to an overall decrease in recoverable benefits paid as described in the relevant individual items included in Section B – Recoverable Benefits.*

PART II
Financial Information

Part A - Operating Expenditure
Employee Pensions and Other Costs
Reconciliation Statement

$(000s)

Details	2001-02 Estimates
2001-02 Main Estimates	$ 57,358.2
Transfer of functions (to)/from:	n/a
Allocation of funds (to)/from: - 26-4 Internal Reform, Workforce Adjustment and General Salary Increases	7,425.0
2001-02 ESTIMATE	**$ 64,783.2**

Employee Benefits and Other Costs

Expenditure Summary

for the fiscal year ended March 31, 2002 with comparative figures for the previous fiscal year

$(000s)

Estimate 2001-02		Sub-Appropriation	Actual 2001-02	Actual 2000-01	Increase / (Decrease)	Expl. No.
$ 51,843.2	06-1a	Civil Service Superannuation Plan	$ 50,777.4	$ 48,244.6	$ 2,532.8	1
12,925.0	06-1b	Other Salary Related Benefits	14,659.5	(3,161.2)	17,820.7	2
	06-1c	Workers' Compensation Board				
4,281.0		(1) Assessments	2,291.7	2,653.1	(361.4)	
(4,266.0)		(2) Less: Recoveries	(2,284.5)	(2,769.0)	484.5	
$ 15.0		**Subtotal (c)**	**$ 7.2**	**$ (115.9)**	**$ 123.1**	
23,068.0	06-1d	Canada Pension Plan	22,179.5	19,493.0	2,686.5	3
19,956.0	06-1e	Employment Insurance Plan	17,032.1	17,577.7	(545.6)	
1,747.0	06-1f	Civil Service Group Life Insurance	1,594.8	1,529.1	65.7	
5,970.0	06-1g	Dental Plan	5,583.1	5,065.9	517.2	4
1,099.5	06-1h	Vision Care	1,104.6	931.7	172.9	5
1,327.0	06-1j	Prescription Drug Plan	773.8	-	773.8	6
308.7	06-1k	Ambulance & Hospital Semi-Private Plan	256.0	259.3	(3.3)	
4,022.0	06-1m	Long Term Disability Plan	3,575.8	3,273.7	302.1	
14,429.0	06-1n	Levy for Health & Post-Secondary Education	14,606.1	14,082.2	523.9	
$ 71,927.2		**Subtotal (d) to (n)**	**$ 66,705.8**	**$ 62,212.6**	**$ 4,493.2**	
(71,927.2)	06-1p	Recoverable from Other Appropriations	(65,605.0)	(62,871.2)	(2,733.8)	7
$ 64,783.2	**06**	**TOTALS**	**$ 66,544.9**	**$ 44,308.9**	**$ 22,236.0**	

Explanations:

1. Increase due to increased pension benefits paid for retirements, terminating employees, marital breakdowns, reciprocal transfers and employee deaths, including the annual cost of living increase.

2. Increase occurred mainly as a result of one-time adjustments for enhanced severance pay negotiated in the most recent MGEU agreement, the actuarial valuation completed as at March 31, 2000 and the correction of the calculation error in SAP for vacation and overtime accruals at March 31, 2001, which understated the liability at that date by $7.4 million.

Employee Pensions and Other Costs
Expenditures by Sub-Appropriation $(000s)
for the fiscal year ended March 31, 2002

Explanations: (continued)

3. Increase due to higher total payroll costs as well as federal increases in the premium rate from 3.90% on maximum insurable earnings of $37.9 to 4.35% on maximum insurable earnings of $38.3 effective January 1, 2001 and to 4.70% on maximum insurable earnings of $39.1 on January 1, 2002.

4. Increase resulted from increased dental fee guide rates; increased claims activity; increased annual maximum claims for basic dentistry (from $1.0 to $1.1 in January 2001 and to $1.2 in January 2002) and for orthodontics (from $1.2 to $1.3 in January 2001 and to $1.4 in January 2002) as well as the annualization of an increase in plan administration charges from 2.5% to 4.5% effective October 1, 2001.

5. Increase due to increased claims activities and the annualization of an increase in plan administration charges from 3.75% to 5% effective October 1, 2001.

6. Increase resulted from the introduction of the Prescription Drug Plan effective October 1, 2001.

7. Increase in recoveries from other appropriations in 2001/02 corresponds to the increase in recoverable benefits paid.

PART III
Historical Information

Employee Benefits and Other Costs

Five Year Expenditure Summary

For the fiscal years ending March 31, 1998 to March 31, 2002

$(000s)

	Benefit Plan	Actual 1997/98	Actual 1998/99	Actual 1999/2000	Actual 2000/01	Actual 2001/02
06-1a	Civil Service Superannuation Plan	$ 41,048.2	$ 44,553.6	$ 46,033.4	$ 48,244.6	$ 50,777.4
06-1b	Other Salary Related Benefits	493.3	3,310.5	6,203.0	(3,161.2)	14,659.5
06-1c	Workers' Compensation Board	(282.1)	50.5	659.9	(115.9)	7.2
06-1d	Canada Pension Plan	14,481.0	15,741.8	17,247.1	19,493.0	22,179.5
06-1e	Employment Insurance Plan	20,868.8	19,788.1	18,516.1	17,577.7	17,032.1
06-1f	Civil Service Group Life Insurance	1,658.7	1,675.6	1,561.2	1,529.1	1,594.8
06-1g	Dental Plan	4,508.7	5,218.2	4,845.4	5,065.9	5,583.1
06-1h	Vision Care	-	934.4	954.8	931.7	1,104.6
06-1j	Prescription Drug Plan	-	-	-	-	773.8
06-1k	Ambulance & Hospital Semi-Private Plan	138.7	202.0	231.3	259.3	256.0
06-1m	Long Term Disability Plan	2,341.8	2,928.1	3,203.0	3,273.7	3,575.8
06-1n	Levy for Health & Post-Secondary Education	14,019.8	14,382.9	13,704.3	14,082.2	14,606.1
	Subtotal (d) to (n)	**$ 58,017.5**	**$ 60,871.1**	**$ 60,263.2**	**$ 62,212.6**	**$ 66,705.8**
06-1p	Recoverable from Other Appropriations	(58,196.7)	(60,809.5)	(60,670.5)	(62,871.2)	(65,605.0)
06	**TOTALS**	**$ 41,080.2**	**$ 47,976.2**	**$ 52,489.0**	**$ 44,308.9**	**$ 66,544.9**

Note: It has been determined that the 2000/01 vacation and overtime liability was understated by $7,425.0. The entry was corrected in 2001/02 and, on average, over the two fiscal years, the total costs for Other Salary Related Benefits should have been reflected as $4,263.8 in 2000/01 and $7,234.5 in 2001/02.